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C O N F I D E N T I A L SECTION 01 OF 02 WARSAW 000097

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SUBJECT: BEEF HORMONES: POLES LOOKING FOR A DEAL

REF: STATE 4100

WARSAW 00000097 001.2 OF 002

Classified By: DCM Quanrud for reasons: 1.4(b,d)

¶11. (U) This is an action request. See para 10.

¶12. (C) Summary: On instructions from the government of Prime Minister Tusk, officials from the Polish Agriculture Ministry asked EMBOFFS January 29 what concrete steps Poland could take to have its products removed from the retaliation list in the beef hormones dispute. Separately, a senior Polish trade official told ECONOFF that members of the 133 Committee believe the time may be ripe for an omnibus settlement of US-EU trade disputes. The Poles are signaling what may be a brief opportunity to change Polish agricultural trade policy in favor of U.S. interests. End Summary.

MINAG: WHAT DOES POLAND HAVE TO DO TO GET OFF THE LIST?

¶13. (C) EMBOFFS discussed the retaliation list with Agriculture Ministry officials on January 22, January 27 and January 29. In the first two meetings they aired complaints about the retaliation list's "unfairness" and inquired about access to the U.S. market for Polish poultry. However, on January 29, Dr. Julian Krzyzanowski, head of the Ministry's Department of European Affairs and International Cooperation, stated he had been instructed by Agriculture Minister Sawicki to tell the United States that the Government of Poland does not want to be sanctioned over beef hormones and wants off the retaliation list. Krzyzanowski said that before moving ahead with a change in policy that could anger both domestic constituencies and other EU partners, the Poles would like to know what steps would give the USG assurance that Poland was working constructively to support us, so that Polish products would be removed from the list.

ECONOMIC MINISTRY: TIME FOR A US-EU MEGA-DEAL

¶14. (C) On January 21, Mieczyslaw Nogaj, Director of the Trade Policy Department at the Polish Ministry of Economy faxed ECONOFF a note stating "even at first glance it seems to us that measures taken by the U.S. toward Polish exports are disproportionately high in comparison to the measures applied to other EU countries." EMBOFFS met with Nogaj on January 28, and observed concern regarding fairness of the retaliation list was misplaced. Focus should be on increasing trade by eliminating the ban on U.S. beef. EMBOFFS urged Poland to press the EU to restart discussions of an interim solution. Nogaj stated that the United States is "exaggerating Poland's influence in the EU." In addition to miscalculating Poland's influence, the United States has misunderstood Poland's actual role. Poland pursues "a middle

course" on agricultural trade in EU councils, and "we are not a country that behind the scenes is undermining your interests." EMBOFFS noted they were unaware of any instances in which Poland had supported opening EU markets to American agricultural products, and Nogaj did not/could not volunteer any.

¶ 15. (C) Nogaj, who fills Poland's seat on the EU 133 Committee stated that EU members discussed the issue last week, and felt that with a new U.S. administration the time might be right for a global settlement of this and other US-EU disputes. Nogaj strongly backed such a settlement, especially in light of the global financial crisis. He was keenly interested in whether the timing of the list's revision -- one of the former administration's last acts -- had political meaning. EMBOFFS responded that the timing was not determined by any political factor, but rather by the date review of the list started and by its progress. The USG continues to seek a WTO-consistent resolution to this dispute.

MFA: POLITICS REQUIRES PROTECTIVE MEASURES

¶ 16. (C) On January 27, EMBOFFS met with Wojciech Ponikiewski, Director of the Department of Foreign Economic Policy at the Polish Ministry of Foreign Affairs, and Artur Gebal from the Ministry's U.S. desk. Ponikiewski explained that Poland's position on agricultural trade reflects the "domestic balance of political forces." While agriculture's contribution to Polish GDP is limited, a significant portion of the Polish population is engaged in the agricultural sector, giving them a disproportionate political weight. Ponikiewski added that at present Polish farming is not sufficiently modernized to be able to withstand open competition, and noted Polish "philosophy in agriculture is completely different" from the United States, and that Poles "are determined to protect (their) way of looking at the

WARSAW 00000097 002.2 OF 002

issue." He stated that, on issues like climate change, U.S. policy is not always based on science, and that Poland must follow the common EU position. He also stated that Poland's influence on the European Commission is limited. Finally, he complained that Polish poultry do not have access to the U.S. market.

COMMENT AND ACTION REQUEST

¶ 17. (C) Post believes these signals -- Polish reports of a possible EU consideration of a "grand bargain" on trade disputes and Poland's apparent willingness to consider breaking ranks with other EU members on beef hormones -- are sincere. While there are limits to what the Poles can do for us, we think they will give serious consideration to changing what is in their power to change. They will also want to be sure they get credit with the USG if they take difficult steps.

¶ 18. (C) It appears we have a limited window of opportunity to "flip" Polish policy, and move the Polish position on this issue away from France and toward that of the United Kingdom.

The Polish Government's room to maneuver is at its peak right now, while the sanctions are new, and before exporters find ways to live with the added tariffs. While we defer to broader thinkers on the question of whether the EU would pursue an omnibus solution, we submit that the Poles could help tilt the field in our favor in general. We could ask the Poles to make public their intent to support access to Europe for U.S. beef, and ask the Polish Veterinary Service (which is already inclined to do so) to weigh in on the science supports the safety of hormone-injected beef. The Poles also could be asked to make a formal request to the Commission for meaningful quota access for U.S. hormone-free beef. Both of these steps carry risks for the Poles, who would predictably be attacked by both by fellow EU members and by powerful domestic lobbies who are wed to the CAP.

¶ 19. (C) There are obvious limits, of course, to what the

Poles could reasonably be expected to achieve. If we press that the solution is full access for U.S. beef raised with growth hormones, the Poles will likely see this as beyond their means to effect -- they can't deliver other EU members and do not want to be held hostage to the intransigence or indifference of other Member States on access for U.S. beef.

¶110. (C) Post appreciates the complexity Washington agencies face in managing the many strands of this matter, and it may be that the Polish offer is too little, too late. The offer has been clearly delivered, however, and the health of our overall relationship requires that we provide a prompt response. We await guidance.

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